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TAGS: [AR](#) [ECON](#) [EFIN](#) [ETRD](#)
SUBJECT: Argentine Economy Minister Prioritizes Paris Club
Resolution, Investment Climate

Ref: (A) 07 Buenos Aires 2292

(B) 07 Buenos Aires 2271

(C) Buenos Aires 154

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Summary

¶1. (SBU) GOA Economy Minister Martin Lousteau, in his second meeting with the Ambassador, called a Paris Club settlement an important -- but not urgent -- priority of the Cristina Fernandez de Kirchner administration. He called any formal role for the IMF in a rescheduling politically unpalatable and looked forward to senior-level engagement with the USG to explore "alternatives" to resolve this outstanding friction, including by sending his Secretary of Finance to Washington soon. Lousteau expressed

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interest in upgrading bilateral economic engagement, including by considering invitations to attend a regional finance ministers' meeting on the margins of the April IDB conference in Miami and to keynote a Council of the Americas' conference in May. He also agreed to receive Codel Engel on February 21. Noting GoA sensitivity to a number of public USG reports that describe the Argentine economy, Ambassador explained that these are not policy documents and are not intended to transmit USG views on these issues. Ambassador noted the USG is closely following efforts by U.S. bond holdouts to resolve their outstanding claims, as well as a number of arbitration suits filed by U.S. multinationals in the aftermath of the 2001/2 economic crisis. Ambassador encouraged the GoA to resolve these bilateral frictions both to normalize Argentina's relations with international capital markets and to improve the nation's investment climate. Ambassador also briefed Lousteau on ongoing discussions of outstanding claims on the GoA, including those by U.S. insurance company TIG, U.S. printer Bowne, and the human rights case of Eduardo Saiegh. Finally, Lousteau noted expanding U.S. investment in Argentina's high tech and "creative" services sector and his Ministry's cooperation with the American Chamber of Commerce to encourage new investor interest. He and Ambassador agreed to explore ways to help

meet Argentina's growing demand for well-trained tech sector employees, including by encouraging U.S./Argentine university to university links.
End Summary.

2nd Meeting with Econ Minister: Invitation to Engage

¶2. (SBU) Ambassador, DCM, and EconCouns met February 13 with Economy Minister Martin Lousteau, Finance Secretary Hugo Secondini and Counselor Ignacio Perez Cortes. At their first meeting on December 3 (Ref A), then-President of the state-owned Buenos Aires Province Bank Lousteau had already been named, but not yet sworn in, as Minister.

¶3. (SBU) Ambassador passed Treasury Secretary Paulson's invitation to Lousteau to join an April 7 regional finance ministers' meeting on the margins of the upcoming IDB annual meeting in Miami and noted former Minister Peirano's attendance at the last October 2007 meeting. Lousteau agreed to have Secondini join a March 4 Deputies call on this. AmbaQ, EmlQM5Q>\>, Q, and Codel Engel's request for a meeting with Lousteau February 22. More broadly, Ambassador emphasized our desire to have senior USG officials engage their GoA economic counterparts in Argentina, in the U.S., and in multilateral fora to broaden our working relationship and to move our common economic agenda forward. Lousteau expressed enthusiasm for an expanded bilateral agenda and agreed to meet with Representative Engel's congressional delegation.

Paris Club: Alternatives to IMF Monitoring?

¶4. (SBU) Lousteau confirmed the GoA position that dealing with the

longstanding Paris Club (PC) impasse was "important but not urgent," a phrase he had used previously with the domestic media. He noted that Finance Secretary Secondini had met February 11 in Paris with PC Secretary Musca and French Treasury authorities, and later in Berlin with German Treasury authorities to outline GoA PC views. Lousteau confirmed that any "traditional" IMF role in a PC rescheduling remains politically unacceptable to Argentina. "We want a deal, but our country has suffered in its relations with the Fund," Lousteau explained. Ambassador noted a general perception among PC creditors that Argentina has the capacity to pay and recalled discussions of some possible alternatives, including substantial voluntary payments, by Lousteau's predecessors with major PC creditors, but that the GoA has yet to present any formal proposal to the PC. Resolving PC arrears, the Ambassador said, would clearly be a positive step forward for both countries, and the Embassy has worked extensively on this issue with Lousteau's two most recent predecessors -- Ministers Miceli and Peirano -- and their staffs. Ambassador suggested that Lousteau consider submitting a voluntary proposal to the Paris Club Secretariat and emphasized that any such plan should include provisions to begin making up-front payments on arrears as a sign of good faith. Lousteau offered to have his Finance Secretary Secondini travel to the U.S. in the next few weeks for more substantive discussions of GoA concerns and "creative" alternatives.

¶5. (SBU) Note: In an earlier conversation with EconCouns, Secondini had informed EconCouns that the GoA is preparing an analysis for the PC Secretariat that he said would debunk PC creditor perceptions that Argentina has the capacity to clear its arrears immediately and justifying Argentina's need for creditor "relief." The paper should be completed within the month. Secondini probed for "space for a Paris Club resolution that uses alternative monitoring mechanisms and reflects Argentina's political and economic reality," including allowing the French Treasury, perhaps in combination w5[QZ)QnQinked debt payment capacity.

Bond Holdouts and ICSID

¶6. (SBU) Ambassador noted his frequent conversations with former

Economy Ministers Miceli and Peirano and their staffs about the issue of bondholders who did not participate in the 2005 debt exchange. He emphasized this is an issue of great interest in Washington, with U.S. citizen holdout bondholders, in addition to their legal actions against the GoA, continuing to forcefully lobby the USG and Congress. Congressman Engel, in his upcoming visit to Argentina, will certainly raise this issue, the Ambassador concluded.

¶7. (SBU) Lousteau replied that Argentina has a law that defends Argentina's sovereign interests vis-a-vis bond holdouts. (The law prevents the re-opening of the original 2005 exchange under better terms than the original proposal, changing the debt exchange offer and/or making in-court or out-of-court settlements with creditors not participating in the 2005 debt exchange.) He called the bond holdout issue important, but a second-tier issue pending resolution of Paris Club arrears. Finally, he noted President Cristina Fernandez de Kirchner's disinterest in engaging on the holdouts, saying "the less time CODEL Engel spends on this issue with the President, the better their meeting will be." Without showing any willingness to alter the GoA's dug-in position, he encouraged the Ambassador to convey to the CODEL's members that they would be well-advised to discuss the issue with him instead.

¶8. (SBU) Ambassador noted a number of high-profile international arbitration cases that derive from the 2001/2 economic crisis are coming to their final conclusion within the ICSID tribunal process. (The first ICSID case that has fully concluded was that of CMS Energy's investment in Argentine natural gas pipeline company TGN). Ambassador outlined USG views on this case, originally presented in November 2007 to former Argentine Ambassador to the U.S. Bordon by A/S Sullivan: the GoA had earlier given formal assurances to the ICSID Annulment Committee that the GoA would pay, in accordance with the ICSID Convention, if Argentina lost the annulment appeal; Argentina did lose the annulment appeal; our expectation is that the

GoA will pay the CMS award in accordance with its ICSID commitments; and we are concerned that a failure to make a timely payment will send the wrong signal to potential foreign investors.

¶9. (SBU) Finance Secretary Secondini noted the Economy Ministry's familiarity with the issue and said that his Secretariat has discussed the potential contingent liability these ICSID and UNICITRAL cases imply. Counselor Perez Cortes noted provisions of Argentine law and of the ICSID Convention (Article 54) that he said require any final ICSID claims being "executed" through domestic institutions. (Note: In an earlier conversation with EconCouns, local CMS counsel argued that any such requirement for local execution was against the spirit, if not the letter, of ICSID arbitration and was a transparent GoA ploy to tie up outstanding ICSID claims for another decade in Argentine courts.)

Sensitivities on USG Public Economic Reporting

¶10. (SBU) Ambassador noted recent media attention to the publication of USG annual reports that touch on the Argentine economy, including our Background Notes, the Investment Climate Statement/Country Commercial Guide, the National Trade Estimate, and the Special 301 Report. These reports, the Ambassador explained, including a recent Background Notes update that touched on Argentine inflation calculation methodologies, are not policy documents and not intended to transmit U.S. government views on issues. Ambassador noted the assistance provided to INDEC staff by the U.S. Bureau of Labor Statistics (BLS) and underlined the importance of GoA statistics agency INDEC taking steps -- including rolling out a new CPI calculation methodology -- to restore public and international confidence in the organization's economic data reporting. Lousteau understood the nature of USG public reporting and said he appreciated the assistance of the U.S. BLS and the Bureau of the Census in meeting with INDEC officials to brief them on U.S. CPI calculation methodologies.

Outstanding Claims Cases

¶11. (U) Ambassador noted Embassy's close collaboration with the Economy Ministry on several disputes involving U.S. companies, including two disputes related to the claims of TIG Insurance company and Bowne. He hoped these cases could be finally resolved soon. Despite the lack of a response from the Department for our request for front-channel guidance on the matter (ref c), Ambassador also noted Embassy's work with the Economy Ministry on the status of Argentine citizen Eduardo Saiegh's effort to attain compensation from the government for his kidnapping in 1980 and the loss of his stake in Banco Latinoamericano. (Mr. Saiegh claims that he was not only a victim of kidnapping and torture, but also a victim of anti-Semitism.) Lousteau expressed ignorance about the case, but asked Finance Secretary Secondini to coordinate with the Embassy on these issues.

Cooperation to Expand Services, High Tech Investment

¶12. (U) Lousteau highlighted Ministry of Economy efforts to support the growth of Argentina's burgeoning service sector, particularly in the high tech and "creative" fields where Argentina's well-educated and capable labor pool offer the nation a strong competitive advantage. He noted a recent meeting with an American Chamber of Commerce delegation where Lousteau expressed the GoA's desire to have more U.S. companies centralize their regional back-office operations in Argentina. He cited IBM as an exemplar, with over 5,000 engineers based in Buenos Aires providing back officer services for IBM affiliates throughout the hemisphere. Ambassador suggested that Lousteau participate in the upcoming Montevideo Innovation Forum April to spotlight Argentina's competitive strengths. Ambassador noted that Secretary of Commerce Gutierrez would be pleased to meet with Lousteau either in Uruguay or on the margins of the upcoming Washington Council of the Americas annual meeting in May. To help meet Argentina's growing demand for well trained tech sector employees, Ambassador and Lousteau discussed the

benefits of expanding links between U.S. and Argentine universities.

Comment

¶13. (SBU) With recent bilateral frictions linked to the "suitcase" scandal receding, the Economy Ministry appears eager to engage on our common economic agenda items and expand senior-level bilateral contacts. This is certainly welcome. But other than preparing a justification for its request for Paris Club "relief" on outstanding arrears, Lousteau's Economy Ministry has yet to go beyond restating its allergy to a formal IMF role in a Paris Club rescheduling. Hopefully, meetings later this month by Finance Secretary Secondini with senior State and Treasury officials can move the Paris Club and the related bond holdout processes forward. Post will continue to encourage GoA focus on ICSID and other outstanding company claims as a tangible sign of the GoA's intent to improve its investment climate.

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